



May 4, 2009

Dow: 8,394

SILVER LINING

Every cloud has a silver lining. Difficult times are like dark clouds that park overhead and block the sun. When we look more closely at the edges of every cloud, we can see the sun shining there like a silver lining. In the 1930s the origination of the Securities and Exchange Commission (SEC) was a silver lining, designed to protect investors from securities fraud (although this is an ongoing battle in every market cycle). After World War II there was a silver lining in the increase in technology that hastened the development and start of the computer era. We are beginning to catch glimmers of the silver lining in today's economic vista.

In this year's first quarter consumer spending rose 2.2% and demand for big-ticket durable goods rose 9.4%. As consumer spending recovers, inventories must be replaced which will spur further economic growth and increase employment. With housing prices down more than 20% in many areas, more people can now afford to purchase a house. Low interest rates are a further incentive for home buyers. Another positive action is that many financial institutions are scrambling to pay back the government the stimulus money they received. The government will release its "stress test" report on nineteen banks as we go to press. This ostensibly will determine how much, if any, funding any of these banks need to remain viable. Should any banks need a further infusion of cash, the Fed stands ready. The Fed has been very accommodative pushing more than \$1 trillion into the financial system, and they stand ready to add another \$1.7 trillion. Finally, we are seeing a silver lining in the stock market. The S&P 500 has rallied over 30% from its March 9 low. Investors are seeing value in stock prices and are exhibiting confidence in our markets. Now, we are not proposing that stocks will march directly to new highs, but they are trending upward.

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As we emerge from this latest recession, we will see some dramatic changes in the way the world works:

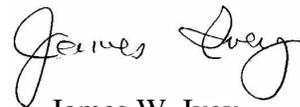
1. Economic globalization will continue and leadership from the US will diminish somewhat. India (the world's largest democracy) and China will take an increasing role in technological innovation.
2. Energy needs will escalate as the economy recovers, and at this point, it looks like nuclear and natural gas will be at the forefront to meet our needs. Wind, solar and other alternatives are not yet viable or reliable.
3. Consumers may carry smaller debt burdens in the future; this will allow them greater flexibility in riding out future financial and economic rough patches.

The bottom line is we will all need to adapt to a changing world – government, corporate and individual. It promises to be an exciting time, and those best able to adapt and innovate will be the leaders.

Random Thought for May 2009: John Kennedy once said to a group of scholars in the White House, “I think this is the most extraordinary collection of talent, of human knowledge, that has ever been gathered at the White House – with the possible exception of when Thomas Jefferson dined alone.”



Michael L. Dana
Chairman of the Board



James W. Ivey
President

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